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Received & Inspected
OCT 18 2013
FCC Mail Room

October 17, 2013

Via Federal Express

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Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
9300 East Hampton Drive
Capitol Heights, MD 20743

Dear Ms. Dortch:

Re: FCC Form 481 – Chapin Telephone Company
WC Docket Nos. 10-90 and 11-42 (Eligible Telecommunications Carriers)

Enclosed please find five (5) complete copies of the following for filing on behalf of Chapin Telephone Company pursuant to the FCC's Public Notice of August 6, 2013, in this matter:

1. The completed FCC Form 481 with the certification and the required attachments that are part of Chapin Telephone Company's completed FCC Form 481 [310694mi510; 310694mi610; 310694mi1210; and 310694mi3026] (**Confidential** version that was e-filed with USAC)];

2. Chapin Telephone Company's financials (310694mi3026), which contain **Confidential** information and therefore are being filed as **Confidential** pursuant to paragraph 4 of the FCC's Protective Order decision, 27 FCC Rcd 14231 (Released November 16, 2012) (the FCC Protective Order);

3. Redacted versions of Chapin Telephone Company's financials (310694mi3026), pursuant to paragraph 4 of the FCC Protective Order.

Because Chapin Telephone Company's financials are confidential, we are also mailing two (2) **Confidential** versions of the financials (310694mi3026) to Charles Tyler as well pursuant to paragraph 4 of the FCC Protective Order.

No. of Copies rec'd 0+4
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If you have questions, please call me.

Sincerely,

FOSTER SWIFT COLLINS & SMITH PC

Ronald D. Richards Jr.

RDR:jlm

Enclosures

cc w/encs: Charles Tyler (2 ***Confidential*** versions of the financials (310694mi3026 only)

CHAPIN TELEPHONE COMPANY

Elsie, Michigan

Financial Statements
With Independent Accountant's Review Report

As of December 31, 2012 and 2011

McCartney & Company, P.C.
Certified Public Accountants

Okemos, Michigan

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McCartney & Company, P.C.
Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Chapin Telephone Company
Chapin, Michigan

We have reviewed the accompanying balance sheets of Chapin Telephone Company (a corporation and a wholly owned subsidiary of Chapin Communications, Inc.), as of December 31, 2012 and 2011, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

McCartney & Company, P.C.

September 18, 2013

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Chapin Telephone Company
Elsie, Michigan

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Balance Sheets
As of December 31, 2012 and 2011

ASSETS

	2012	2011
Current Assets		
Cash and cash equivalents	$	$
Temporary investments		
Due from subscribers		
Accounts receivable - Affiliate		
Accounts receivable - Access carriers		
Interest receivable		
Inventory		
Prepaid expenses		
Total Current Assets		
Other Assets		
Investments		
Interest receivable - Noncurrent		
Total Other Assets		
Plant, Property and Equipment		
Plant in service		
Less: Accumulated depreciation		
Net Plant, Property and Equipment		
Total Assets	$	$

- See accompanying notes and independent accountant's review report -

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LIABILITIES AND STOCKHOLDER'S EQUITY

	2012	2011
Current Liabilities		
Accounts payable - Trade	$	$
Accounts payable - Access carriers		
Other current liabilities		
Total Current Liabilities		
Deferred Taxes		
Deferred state income taxes		
Deferred federal income taxes		
Total Deferred Taxes		
Stockholder's Equity		
Capital stock, $ stated value, 10,000 shares authorized, 120 shares issued and outstanding		
Additional paid-in capital		
Retained earnings		
Total Stockholder's Equity		
Total Liabilities and Stockholder's Equity	$	$

- See accompanying notes and independent accountant's review report -

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Chapin Telephone Company
Elsie, Michigan

Statements of Income
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Local service	$	$
Access revenue		
Miscellaneous		
Bad debt expense		
Total Operating Revenues		
Operating Expenses		
Plant specific		
Plant non-specific		
Network and other		
Depreciation		
Customer operations		
Corporate operations		
Total Operating Expenses		
Net Operating Revenue (Expenses)		
Operating Taxes (Benefit)		
Federal income tax benefit		
State income tax (benefit)		
Other operating taxes		
Total Operating Taxes (Benefit)		
Net Operating Loss		
Interest income		
Non-operating federal income tax expense		
Net Income	$	$

- See accompanying notes and independent accountant's review report -

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Chapin Telephone Company
Elsie, Michigan

Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2012 and 2011

	Capital Stock	Additional Paid in Capital	Retained Earnings	Total
Balance at January 1, 2011	$	$	$	$
Net income				
Balance at December 31, 2011	$	$	$	$
Net income				
Balance at December 31, 2012	$	$	$	$

- See accompanying notes and independent accountant's review report -

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Chapin Telephone Company
Elsie, Michigan

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating Activities		
Net Income	$	$
Adjustments to reconcile net income		
to net cash provided by operations:		
Depreciation		
Provisions for deferred taxes		
Reinvested interest income		
Changes in operating assets and liabilities:		
Accounts receivable		
Interest receivable		
Inventories and prepaid expenses		
Accounts payable and other current liabilities		
Net Cash Flows Provided by Operating Activities		
Investing Activities		
Purchases of plant, property and equipment		
Net Cash Used in Investing Activities		
Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning		
Cash and Cash Equivalents - Ending	$	$

- See accompanying notes and independent accountant's review report -

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Chapin Telephone Company

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Chapin Telephone Company is a wholly owned subsidiary of Chapin Communications, Inc. and is located in Shiawassee County in the State of Michigan. The Company's major business activity is providing local telephone exchange service and access to the public switched telephone network.

The Company grants credit to customers, substantially all of whom are local residents. Additionally, the Company grants credit to interexchange carriers for access to the public switched telephone network. Approximately % of the Company's operating revenue is received from access revenue from interexchange carriers.

The Company rarely requires collateral from either its customers or telecommunications providers. Accordingly, failure to collect on these accounts would result in a direct loss of the amounts uncollected. However, a portion of these losses would be recoverable through the settlement process described below. The Company generally does not hold financial instruments with off-balance-sheet credit risk.

The accounting records of the Company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Michigan Public Service Commission, which conform to accounting principles generally accepted in the United States of America.

Preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates, primarily related to collectibility of receivables, access revenue settlement amounts and depreciable lives of plant, property and equipment. Actual results may vary from these estimates.

Compensation for interstate access services was received through tariffed access charges filed by the National Exchange Carrier Association (NECA) with the Federal Communications Commission (FCC) on behalf of the member companies. These access charges are billed by the Company to the interstate interexchange carriers, and pooled with like revenues from all NECA member companies. The portion of the pooled access charge revenue received by the Company is based upon its costs of providing interstate access service, plus a return on the investment dedicated to providing that service. The Company recorded interstate and intrastate true-ups of prior years' estimated access settlements that had the effect of decreasing net income by $ and $ for 2012 and 2011, respectively.

Intrastate and local access revenue is based on charges billed under the Company's intrastate access tariff or interconnection agreements. These revenues are dependent upon actions of interexchange carriers over which the Company has no control. It is possible that changes could occur that would cause a significant impact on the Company's future revenues.

Revenues are recognized when earned, regardless of the period in which they are billed.

Cash and cash equivalents includes cash and short-term, highly liquid investments with original maturities of three months or less. Investments with original maturities of three to twelve months are classified as temporary cash investments.

There were no cash payments for interest in 2012 and 2011, and all federal and state income taxes are paid by the Company's parent corporation.

It is the policy of the Company to expense all advertising costs as incurred. Sales, use and excise taxes collected from subscribers are presented on a net basis.

Inventory consists of materials and supplies for additions and maintenance of the telephone plant and equipment for resale. Inventory is priced at the lower of cost or market on a first-in first-out basis.

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1. Summary of Significant Accounting Policies (Continued)

The balance in due from subscribers is presented net of the allowance for uncollectibles. The allowance was $ and $ at December 31, 2012 and 2011, respectively. For all other accounts receivable, no allowance for doubtful accounts was determined to be necessary. The Company's estimates are based on historical collection experience and a review of the current status of accounts receivable. Trade receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, and the Company does not apply a finance charge to past due receivables.

The Company's cash and temporary investment accounts are subject to the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000. At various times during the year the Company's cash and temporary investment account balances exceeded this amount in the normal course of business. At December 31, 2012. the cash and temporary investment account balances exceeded this limit by approximately $. Other investments are not covered by FDIC insurance.

2. Investments

Bank Certificates of Deposit are included in investments in the accompanying financial statements. Investments are stated at cost, which approximates market value.

Investments consisted of the following at December 31:

	2012	2011
Certificates of Deposit		
Citizens Bank:		
Certificate #1 - matures 07/01/13 (5.00% at December 31, 2012 and 2011)	$	$
Certificate #2 - matures 08/08/13 (5.00% at December 31, 2012 and 2011)		
Certificate #3 - matures 06/27/13 (4.89% at December 31, 2012 and 2011)		
F & M Bank:		
Certificate #1 - matures 02/10/13 (0.60% and 2.89% at December 31, 2012 and 2011, respectively)		
Other Investments		
Great Lakes Comnet		
Total Investments		
Less: Current Portion		
Total Long-Term Investments	$	$

The Company's investment in Great Lakes Comnet consists of non-controlling stock ownership interest and is recorded at cost as it is not publicly traded and the market value is not readily determinable.

Interest earned on certificates of deposit is not included in the cost of the investment until date of maturity. Accordingly, interest receivable in the amount of $ and $ was recorded at December 31, 2012 and 2011, respectively.

Notes to Financial Statements

3. Plant, Property and Equipment

Additions to plant and replacements of significant units of property are capitalized at original cost. When plant is retired, its cost is removed from the asset account and charged against the depreciation reserve together with any related salvage and removal costs. No gains or losses are recognized in connection with routine retirements of depreciable property.

Plant, property and equipment is summarized as follows:

	2012	2011
Land and buildings	$	$
General support		
Central office equipment		
Circuit equipment		
Cable and wire facilities		
	$	$

Depreciation is provided under the straight-line method for accounting purposes by the application of rates based on the estimated service lives of the various classes of depreciable property. The composite annual average depreciation rate was % and % for 2012 and 2011, respectively.

4. Taxes

For income tax purposes, the Company is included in the federal consolidated and state combined tax returns with its parent, Chapin Communications, Inc. For financial reporting purposes, income taxes are computed and recorded as if the Company filed separate income tax returns, except that: (i) in the event the Company generates a net tax loss which is utilized in Chapin Communications, Inc's returns, the Company will be given the benefit of such loss, (ii) federal income taxes are calculated based upon the statutory tax rate in effect for Chapin Communications, Inc. and its subsidiary on a consolidated basis, and (iii) state income taxes are calculated based upon the taxes in effect for Chapin Communications, Inc. and its subsidiary on a combined basis.

Deferred income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable enacted tax rates. Temporary differences giving rise to the deferred tax liabilities and assets consist primarily of the excess of depreciation for tax purposes over the amount for financial reporting purposes.

Tax provisions charged to expense for the years ended December 31, 2012 and 2011 are summarized below.

	2012	2011
Federal Income Taxes (Benefit)		
Current – Operating	$	$
Current – Non-operating		
Deferred – Operating		
Subtotal	$	$
State Income Taxes (Benefit)		
Current – Operating	$	$
Deferred – Operating		
Subtotal	$	$
Total Income Tax Expense (Benefit)	$	$
Other Taxes		
Ad Valorem	$	$
Miscellaneous		
Total Income and Other Taxes	$	$

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Chapin Telephone Company

Notes to Financial Statements

4. Taxes (Continued)

Total federal income tax expense, divided by the sum of such tax expense and net income, results in an effective tax rate of approximately .% and % for 2012 and 2011, respectively. The difference between the Company's federal effective income tax rate and the federal statutory rate is primarily a result of expenses deductible for financial reporting purposes that are not deductible for tax purposes, and adjustments to prior year tax accruals.

The Company periodically settles amounts owed to Chapin Communications, Inc. for income taxes. For the year ended December 31, 2012, federal and state income tax benefits were recorded as receivables due from Chapin Communications, Inc. in the amount of $ and $ respectively. For the year ended December 31, 2011, federal and state income tax liabilities were recorded as payables to Chapin Communications, Inc. in the amount of $ and $ respectively.

Effective January 1, 2012, the State of Michigan Corporate Income Tax structure changed. Therfore, certain deferred tax assets were deemed to no longer be available for future years and, as such, the deferred tax assets were written off to state income tax expense in the amount of $ for the year ended December 31, 2011.

Management believes that there is a greater than % chance (more likely than not) that the Company is entitled to the economic benefit resulting from tax positions taken in income tax returns. No interest or penalties related to uncertain tax positions has been recognized in the income statements or balance sheets for the years ended December 31, 2012 and 2011. However, federal and state tax returns for years 2009 through 2012 remain subject to possible audit.

5. Related Party Transactions

The Company engages in various transactions with its parent, Chapin Communications, Inc. and an affiliated subsidiary, Chapin Long Distance, Inc.

The Company had the following related party transactions during 2012 and 2011:

	2012	2011
Due from (to) affiliate – Chapin Communications, Inc., beginning of year	$	$
Allocation of state tax benefit (expense)		
Allocation of federal tax benefit (expense)		
Cash payments to (receipts from), net		
Due from affiliate – Chapin Communications, Inc., end of year	$	$
Due from affiliate – Chapin Long Distance, Inc., beginning of year	$	$
Allocation of labor and benefits		
Toll and internet revenues billed and collected for affiliate		
DSL charges due from affiliate		
Carrier access billing due from affiliate		
Cash payments to (receipts from), net		
Due from affiliate – Chapin Long Distance, Inc., end of year	$	$

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6. Commitments and Contingencies

The Company has property in Shiawassee County, Michigan, in an area where there is ground contamination caused by an outside party. Any costs with respect to the groundwater cleanup will be incurred by a third party; therefore no liability has been recorded as of December 31, 2012 and 2011.

7. Subsequent Events

The date to which events occurring after December 31, 2012 have been evaluated for possible adjustment to the financial statements or disclosure is September 18, 2013, which is the date on which the financial statements were available to be issued.

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